

Weekly Contributions 23-50

ORE, CIA

6 June 1950

Of the developments reported this week, [ ] believes that on the emerging trend toward uniformity in recognition policies among the American republics is particularly important (p. 2).

CURRENT DEVELOPMENTS

GENERAL: The trend toward uniform recognition policies in the Hemisphere is an important gain for Hemisphere solidarity (p. 2).

NORTHERN AREA: In Mexico, the mine workers' union has withdrawn from the Communist-dominated UGOCM (p. 3). See also report on the current situation in Costa Rica (p. 5).

CENTRAL AREA: US-Colombia relations may be troubled by a rate war between shipping lines (p. 3). In Brazil, a series of labor-syndicate elections will not seriously affect Brazilian politics (p. 3).

SOUTHERN AREA: See report on the current situation in Peru (p. 8).

SPECIAL SUBJECTS

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The Current Situation in Peru . . . . . 8

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1. GENERAL: Trend Toward Uniformity in Recognition

While there has been no good reason to doubt that the other American republics would be basically aligned with the US in case of a US-USSR war, there have been weaknesses in the peacetime materials out of which a structure of perfect collaboration would have to be built in time of war. One such weakness has been the divergence in ideas as to the connection between the quality of a new government and its recognition as a member of the American family of nations. During recent months a trend toward general acceptance of the US view -- that non-recognition of a possibly undemocratic new regime is not the most suitable method to further the development of democracy within the country -- has signaled an approach toward Hemisphere unity on the important matter of recognition of new governments brought to power by coups d'état, and has therefore marked a distinct gain for Hemisphere solidarity.

Although the Final Act of Bogotá laid down certain principles regarding continuity of relations among American states, no agreement was reached at that time on a common policy relative to the recognition of de facto governments, and subsequent events showed that certain countries -- particularly Bolivia, Chile, Cuba, and Uruguay -- had reservations even on the Bogotá principle that recognition did not imply approval or disapproval. Recently these countries have become less adamant. All of them have extended recognition to the Arias regime in Panama. Cuba and Uruguay (the latter being a leader of the "democratic" group upholding non-recognition of de facto regimes brought to power by non-constitutional overthrow of governments) have indicated a willingness to accept, at least as expedient, US recognition policy. Although the recent Haitian coup d'état does not provide a clear-cut test on recognition, it does afford some clues that the trend toward unanimity is continuing. Practically all of the Latin American countries have now recognized the Haitian junta, while Chile is the only country which has insisted that Haiti must show signs of returning to "normal democratic processes" before the new government is recognized. There is also the possibility that, of the few countries which have as yet refused to recognize the Peruvian and Venezuelan juntas, some may decide to do so in the near future.

The whole problem of recognition of de facto regimes is now being studied by the Inter-American Council of Jurists. The recent trend toward uniformity may enable the Council in the report it is preparing for the Tenth Inter-American Conference to agree on certain recognition principles, thereby moving toward formally accepting, as a matter of principle, the procedure that is now becoming standard practice on recognition of new governments among the American republics.

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2. MEXICO: Miners Repudiate Communism

The Mexican mine workers' repudiation of Communism and their withdrawal from Lombardo's Union General de Obreros y Campesinos de México (UGOCM), are in line with recent labor trends inspired by administration maneuvers. Firmness of mine workers' adherence to UGOCM had been a question for some time   Wkly, 9 Aug 49); their recent action, following the petroleum workers' withdrawal in December, leaves UGOCM with no affiliated national syndicate, although it still has the support of individual sections of important unions. The mine workers' action also constitutes a blow to CTAL and WFTU strength in this Hemisphere and dims the prospects for the establishment of a WFTU-sponsored Inter-American Miners' Federation.

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3. COLOMBIA: Probable Rate War Between US and Colombian Shipping Lines

A rate war is the probable result of the announced (2 June) withdrawal of the Gran Colombia Merchant Fleet from the Shipping Conference. The Colombian line's object in this action is to obtain freedom to collect payment for freight in Colombian currency. The Gran Colombia Merchant Fleet had previously agreed to collect payment for freight in dollars as required by Conference rules, but had apparently believed at that time that Grace Line, its chief competitor, would then agree to divide its cargo with Gran Colombia. When Grace Line made clear that such a division was impossible, the Gran Colombia line decided that it could not forego the advantage of collecting payment for freight in Colombian currency, and therefore should withdraw from the Conference. This decision is likely to be followed by a rate war.

These developments are expected to have a somewhat adverse effect on US-Colombian relations, both because of the probable rate war and because Gran Colombia's advertising is likely to be highly nationalistic.

4. BRAZIL: Labor Syndical Elections of Minor Political Importance

The elections to be held in certain of the labor syndicates on 12 June, the first of such elections since the government took control of the labor unions in 1947, will not seriously affect Brazilian politics. Although at this time only about 5 percent of the syndicates will hold elections, there seems no good reason to question the government's promise that all syndicates will hold their elections by the time of the presidential election on 3 October. The Communists, who for almost three years have been loud in their demands that these elections be held, now oppose them, since the regulations would seem to prevent the Communists from either holding office or voting. Even should Communist voting be permitted, this

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group, who during the past year have lost much of their prestige among the rank and file of labor, would probably make no substantial gains. Vargas' supporters, on the other hand, may make some gains. It is not expected, however, that any change in labor leadership resulting from these elections will in any way alter the prospects for an orderly presidential election.

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### The Current Situation in Costa Rica

(Summary --- The Ulate government appears reasonably stable. There has been no significant change thus far in the unfavorable economic situation, but the outlook for the future is more favorable. Communist strength, though small, is a constant problem for the government. The Guardia Civil appears to be loyal to the administration but could not suppress a large-scale subversive attempt. International relations remain unchanged in regard to major matters but lesser refinements in policy appear to be in process of formulation.

--- No development in Costa Rica has significantly affected US security interests.)

#### Political

The Ulate government appears reasonably stable. It is true that political agitation against administration policies, which has been at a minimum since Ulate assumed the presidency, shows signs of increasing. For example, there are indications that the Social Democratic Party and ex-junta-president Figueres will offer greater resistance to administration policies. It is not likely, however, that this opposition will threaten the stability of the government during the next few months.

#### Economic

While there has been no significant change during the last six months in the unfavorable current economic situation, the outlook for the future is improved. The principal unfavorable factor at this time is the difficulty of restricting imports sufficiently to improve the country's foreign exchange situation. Favorable factors include: the gradual elimination of a large backlog of payments due on past imports; the payment of governmental expenses from current revenues; preparations to renew payments and to refinance portions of the public debt; and the consideration of plans to advance the economic development of the country, particularly by improvements in the cattle and coffee industries and in the fiscal administration. The predominance of favorable domestic factors, together with the fact that world market conditions continue to favor Costa Rican exports, makes the immediate economic outlook more favorable than it has been in recent years. It is estimated, therefore, that unless the Ulate administration fails to enforce its strict financial controls, an improved economic situation will result within coming months.

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Military

The Guardia Civil appears to be loyal to the president, despite some personal dissatisfaction among the officers. This sole military body of Costa Rica is not at present adequately trained or equipped to suppress any large scale subversive attempt, and, in spite of some indications that the government intends to provide additional arms and training, will probably remain of rather low military capabilities.

Subversive

Present Communist political strength in Costa Rica is insignificant, but the potential influence of this group in organized labor is important, and the continual attempts by the Communists to increase their strength constitute a constant problem for the government. Despite two years of suppression, the Communists have retained the loyalty of many of their militant followers (numbered at 2000 in 1948) and have now reestablished provincial political committees in nearly all provinces. In addition they have some eight hundred members in local Communist labor unions and are capable of increasing their labor influence still further, because the non-Communist labor federation -- designed to supplant the Communists as the leading labor force of the country -- has not really taken their place as the champion of the lower classes. On the other hand, barriers to the development of Communism exist in the opposition of most Costa Ricans to the international phases of Communism, in the anti-Communist animosities growing out of the 1948 civil war, in the lack of sufficient well-trained local Communist leaders, and in the political isolation and defective discipline of the Costa Rican Communists. It is estimated that, should the constant governmental (police) action against Communist activities prove inadequate to prevent a further increase in Communist strength, the government will take more aggressive measures.

International

International relations remain unchanged in regard to major matters, but important policy refinements appear to be in process of formulation. Unchanged are Costa Rica's friendly attitude towards the US and its support of the US in East-West rivalries. Unchanged, too, are its strained relations with Nicaragua, a situation that caused tempers to flare when it appeared to President Ulate that the US Embassy in Nicaragua was unduly favoring Somoza in recent conversations. President Ulate continues to enforce the Costa Rican policy of remaining aloof from Middle American politics and Caribbean Legion adventures, but his task is complicated by the disturbing factor injected into intra-Caribbean relations by the activities of ex-junta-president Figueres. Activities such as Figueres' attendance at the Conference for Democracy and Freedom

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in Cuba and charges that Figueres sent arms to President Arias of Panama and that he remains interested in Caribbean revolutionary activities, particularly against Somoza, make Ulate's policy of aloofness from Caribbean squabbles difficult to maintain.

The most important refinements in policy are: a policy regarding recognition of other American republics closer to that stated and applied by the US, maintaining, however, a distinction in favor of the recognition of governments created as a result of revolutions which had as their purpose the defense of threatened constitutional or democratic institutions; and a policy -- for the announced purpose of encouraging honest elections in other American republics -- of permitting Costa Rican diplomats to act, together with other Latin American diplomats, as witnesses in electoral proceedings when requested by the countries involved.

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The Current Situation in Peru

Summary -- The present stability of the Odría regime will be tested in June. The economic situation has deteriorated slightly. Capabilities of the armed forces have dropped. Although the subversive potential of the Apristas has increased slightly, they are unable -- independently -- to make a major move; the Communists do not at present constitute a significant force. Peru's relations with other countries are amicable.

-- The situation as to US interests has been improved by promulgation of a new mining code, which is expected to facilitate the investment of foreign capital in mining enterprises with consequent increase in availability of strategic minerals.)

Political

The Odría regime, though facing a critical period during June, has continued stable up to the moment, and the balance of gains and losses does not indicate materially changed prospects. Political opposition is stronger. Odría has alienated the support of the influential Pedro Beltrán, leader of the Alianza Nacional and has been unable to obtain the backing of the strong Unión Revolucionaria (UR); his strength in the south has been undermined by the Liga Democrática, which enjoys covert Communist support. In addition, Odría's army support may have been reduced by the fact that a retired general has been nominated by UR and the Liga as opposition presidential candidate. Odría has countered these reverses, however, by tightening his control over the electoral machinery, by obtaining limited support of labor leaders, by taking firm measures against opposition political figures, and by forming a new political party to back his candidacy. Further, the National Electoral Board has refused to recognize the UR as a legal party, some UR leaders have defected, and the Apristas have been disenfranchised.

The month of June will be critical for the regime. While Odría's handing over of his office on 1 June to Minister of War, Zenón Noriega, permits him to devote himself fully to his campaign, the relaxation of his control over the government may encourage disgruntled military or civilian groups to attempt to unseat him. There are disaffected groups in the army, and continual reports of subversive plots among influential officers indicate that Odría may be exposing his life to real danger during the short time he relinquishes his control. Odría has, however, reportedly been assured by the army command that the army as a whole will support him, and any general revolt seems unlikely. If Odría can avoid assassination and continue to command general armed-forces support during the critical one-month period prior to the 2 July elections, his chances of returning to office appear excellent.

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Economic

Peru's economic situation has deteriorated slightly. It is true that the gold and foreign exchange holdings of the Central Reserve Bank increased slightly from February to March; and that on 12 May there was promulgated a new mining code, which is expected to stimulate the investment of foreign capital in mining enterprises and to aid in the restoration of pre-1940 levels of mineral production. Nevertheless, little or no progress has been made toward the solution of Peru's immediate economic problem, the increase in production for export. Total exports in 1949 seem to have declined both in volume and value as compared to 1948 exports, while imports reached an all time high during the past year. (Figures are not exactly comparable because of changed exchange rates.) Peru's adverse trade balance was about US\$14,000,000 in 1949.

The general agricultural outlook is now less favorable as a result of a lack of irrigation water, and production of important export crops, such as cotton and sugar, may be adversely affected. The present rice shortage in Peru is the most serious in recent years.

Largely as a result of the absorption of the previous over-supply of exchange certificates, the strengthening trend evidenced by the Peruvian sol in regard to the dollar in recent months was reversed at the end of March. The sol has continued to depreciate slightly.

In general, economic prospects for the next quarter do not appear particularly promising.

Military

Capabilities of the Peruvian armed forces remain limited, particularly in the army, where morale, training, and efficiency are at present at a low ebb. The resulting disaffection has increased the incidence of subversive plots, though the army as a whole is believed loyal to Odría (see Political section).

Subversive

APRA -- the most numerous group opposing the present regime -- has been further disorganized by intensified government repressive measures. It is true that the subversive potential of this outlawed group may have been increased to some extent by attempts by various military and civilian groups to obtain its support for revolutionary movements. Further, in view of Odría's vulnerability during the pre-election period, the next month appears especially propitious for subversive attempts by any group. APRA has, however, consistently rejected attempts by other groups to gain its revolutionary support in the past and is too weak to make an independent major move at this time. There appears to be little basis to Odría's charges that APRA is attempting to incite a border incident between Peru

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and Colombia and prevent the holding of the elections by creating disorders. Therefore, APRA's potential for causing difficulty in the next critical month is small and will remain so in the future unless changed policies should lead this party to unite with other subversive groups.

Despite the regime's toleration of Communists, there are so few of them that they are unlikely to constitute a significant force during the coming months.

#### International

Peru's relations with other countries are, in general, amicable, though relations with Brazil and Colombia have been somewhat strained because of an extradition case and the continuing Haya controversy, respectively; the Ecuadoran boundary dispute remains a source of difficulty with that nation. Commercial relations with the US have been adversely affected by certain Peruvian trade policies; but US-Peruvian relations, in general, remain on a high level of friendship. Relations with Chile have increased in cordiality. Ties with Argentina and Spain remain extremely close. Peru's continued interest in the expansion of its trade with Europe is indicated by its recent signing of a trade agreement with West Germany.